VIA EMAIL

June 8, 2012

PREMERA | BLUE CROSS

Mr. James T. Odiorne
Deputy Insurance Commissioner
Company Supervision
State of Washington
P. O. Box 40255
Olympia, WA 98504-0255

RE: Proposed Changes to Insurer and Health Carrier Holding Company Acts

Dear Deputy Commissioner Odiorne:

Thank you for giving Premera Blue Cross (Premera) the opportunity to comment on the recently revised NAIC Model Act for Insurance Holding Company Systems (#440) and its Model Rule (#450); the impact of adopting these laws on Premera's holding company system; and whether existing RCW Chapters 48.31B and 48.31C should be merged. Below you will find our detailed comments.

Model Act #440.

(1) Subsection 1(F) Definition of "Enterprise Risk." This definition is critical for determining what information must be provided in the new Form F Enterprise Risk Report to the Annual Registration statement, especially given the serious sanction outlined in Subsection 11(F). As drafted currently, the Model Act references two examples of events that would constitute a "material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole": anything that would cause the insurer to fall into company action level or be in hazardous financial condition. We agree that these standards are appropriate; however, as currently drafted these standards are merely examples. We recommend that the Act remove the "including, but not limited to" language so that the industry has a definitive definition of which events trigger reporting requirements for Form F of the Annual Registration Statement.

(2) Section 2 Subsidiaries of Insurers and Subsection 5(A)(5). We believe that section 2 in its entirety and subsection 5(A)(5) are not necessary given the recent adoption of the new Investment Act because conflict with the spirit of the Minimum Asset Requirement (MAR). We recommend that these provisions not be adopted.

(3) Subsection 3(D)(2) Acquisition of Control of or Merger with Domestic Insurer. This subsection allows "any other person, whose interest may be affected" to have broad rights of discovery and at a hearing, including the ability to present evidence, examine and cross-examine witnesses. Our current law provides these rights to a person who has a "significant" interest, and we believe that standard is appropriate to reduce the administrative burden to the agency and the applicant. We recommend that the word "significant" be added before "person."

(4) Subsection 3.1(D) Competitive Standard. While these standards may be appropriate for insurers, we believe that the standards outlined in RCW 48.31C.030(5)(a)(ii) are more appropriate for health care service contractors.

Model Act #440 continued.

(5) Subsection 4(B)(7) Registration of Insurers. The NAIC proposed an alternative provision for this subsection. We do not believe that the alternative accurately reflects the role of a Board with respect to corporate governance and internal controls. A Board is responsible for overseeing corporate governance and internal controls—not responsible for implementing processes and controls.

(6) Subsection 4(D) Materiality. While these standards may be appropriate for insurers, we believe that the standard outlined in RCW 48.31C.040(4) is more appropriate for health care service contractors.

(7) Subsection 4(E) Reporting of Dividends to Shareholders. This appears to be a new requirement for health care service contractors. As long as such dividends comply with other requirements of law and are not "extraordinary" as defined in Section 5(B), we do not understand why this level of reporting is necessary. We recommend deletion of this subsection.

(8) Subsection 4(L) Enterprise Risk Filing. We understand that the NAIC has been developing the Own Risk and Solvency Assessment (ORSA) report. The requirements outlined in the Model Regulation for the Form F to the Annual Registration Statement appear to be inconsistent with the draft ORSA requirements.

(9) Subsections 5(A)(1)(f) and (2) Transactions Within an Insurance Holding Company System. While the material thresholds may be appropriate for insurers, we believe that the various materiality thresholds outlined in RCW 48.31C.050(1)(e) and (2) are more appropriate for health care service contractors.

(10)Subsections 5(A)(2) Transactions Within an Insurance Holding Company System. With respect to notices of amendments or modifications to a previously approved transaction, it appears there is a new requirement for carriers to include "the financial impact on the domestic insurer." The Model Regulation does not define how this is supposed to be measured for reporting purposes. We believe that more refinement of this requirement is necessary.

(11)Subsections 5(A)(2)(d) and (e) Transactions Within an Insurance Holding Company System. A "guarantee" is listed in both subsections (d) and (e), which creates confusion as to which one applies. Therefore, we recommend the deletion of the term "guarantee" from subsection (2)(d).

(12)Subsection 5(C) Management of Domestic Insurers Subject to Registration. We do not believe this section exists today in law, and do not believe it is necessary.

(13)Subsection 8(A). Confidential Treatment. Rather than the provision outlined in the Model Act, we recommend that the OIC adopt a confidentiality standard identical to one already enacted in RCW 48.37.080. We believe that carriers should have a single standard for the protection of their confidential and proprietary information rather than an approach that attaches a different level of protection to confidential and proprietary information merely based on whether the information was provided under the Holding Company Act or the Market Conduct Oversight Act.

Model Rule #450. Section 19(B) requires specific contractual terms in intercompany agreements. We would like to understand why this new subsection is necessary, understand how the "and as applicable" is intended to be applied, and how existing intercompany agreements would be impacted with the enactment of this regulation.

Merging of RCW 48.31B and 48.31C. In 2000, the OIC collaborated with carriers to develop the Health Carrier Holding Company Act. Collectively, we agreed that a separate act was necessary given the different corporate structures that are licensed as health care service contractors and health maintenance organizations. We also developed different standards for various materiality thresholds. We believe that separate acts continue to be appropriate for those reasons.

We look forward to working with your office on this potential legislation and regulation. If you have any questions concerning my comments, please feel free to call me at 425.918.5411.

Sincerely,

S. Kadwalla

fv Kitti Cramer
VP, Regulatory Affairs, & Deputy General Counsel